

# Council Briefs

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## Aging Platforms Raise Questions *Parties Looking Into DR&R and Alternative Uses*

In presenting the CIRCAC-commissioned white paper, "Dismantling and Removal of Offshore Oil and Gas Platforms and Restoration of the Environment in Alaska's Cook Inlet," Tim Robertson makes a good case for clarity. The CIRCAC contractor notes that while various federal and state laws and regulations as well as lease and unit agreements require "DR&R," responsibility and oversight is sometimes a mixed bag.

CIRCAC has asked several agencies and Cook Inlet industry to review the draft white paper before its release. The subject itself is worth a refresher.

Begin with Minerals Management Service (MMS) who is responsible for leases on the Outer Continental Shelf (OCS), but not in Cook Inlet even though the OCS boundary includes most of Cook Inlet south of Clam Gulch.

The Army Corps of Engineers issues a Section 10 permit for any structure placed in navigable waters. But, the Department of Natural Resources (DNR) grants leases on state lands (north of that OCS line and along the coast) but has no authority to require removal of platforms in "lighthouse" status. Four platforms are currently in that mode although one, Spurr, is operated remotely and produces gas. The Army Corps of Engineers permit does stipulate that the structure must be removed and the

environment be restored if the structure is no longer being used for its intended purpose. However, the Corps was unable to find all of the permits for the sixteen platforms in the Inlet.

Continue with the Alaska Oil & Gas Conservation Commission (AOGCC) which stipulates well abandonment procedures. DNR's Division of Oil & Gas is responsible for the lease agreements and the DNR's Commissioner is responsible for enforcing the DR&R process. The statutes give the Commissioner some latitude.

The lease agreements (with DNR) say the platforms must be removed within six months after the end of the lease. Though the unit agreements take precedence over the lease agreements, they still require removal unless DNR determines otherwise. DNR personnel

told CIRCAC that they have always understood that the original lessee will be held responsible for removing the structure if any subsequent owner defaults on the obligation. However, the Attorney General's opinion has not been provided on that issue.

DNR also has the authority to add stipulations at the transfer of lease ownership, which they did in the case of XTO Energy when it acquired Shell platforms A and C in the Inlet

The State of Alaska requires a \$10,000 bond when a lease is purchased. Each company must also have a \$500,000 statewide bond for all of their operations within the state. When XTO bought the platforms in the Inlet, the state required a \$3 million bond to cover both platforms in addition to a \$500,000

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## CIRCAC Leads Permit Project *Goal - To Speed Oil Spill Response*

In the oil industry, companies seek permits for a wide range of operations through processes that safeguard employees, the public, and the environment.

But when responders started noticing that too many permits hindered their response, CIRCAC helped form a workgroup to review the information and make recommendations that would

improve response time without diminishing effectiveness.

Comprised of agencies, industry representatives and CIRCAC, the workgroup set out to identify necessary processes, revise and update permits, remove redundancies, and make the final product a computer-based tool, accessible through the Internet and on a CD-ROM.

The Unified Plan originally listed 136 different permits/applications and after substantial review, the list has been pared to 56 that deal with emergency response. Some of the excised permits have been retained in the Subarea Plan, but are no longer required in emergency oil spill responses.

### Events.

**November 17:** Marine Firefighting Workgroup Meeting; Kodiak

**November 19:** EMC Meeting; Anchorage 10 a.m.

**November 25-26:** Thanksgiving; CIRCAC Office Closed

**December 2-3:** CIRCAC Volunteer Banquet/Quarterly Mtg; Anchorage

# Report Due Out Soon on BAT

## Low Attendance Marks Conference

Two years in the making and after some debate about what constitutes "best," ADEC held its Best Available Technology conference in Anchorage. An overall report on the conference is due out soon for public comment.

The event featured eighteen presentations, seventeen exhibits, and 212 attendees - many from ADEC - and focused on technologies which either meet a performance standard or a response planning standard. As long as the existing technology meets the standards it is considered "best available technology."

Exposing plan holders and ADEC reviewers to new technology via the conference gives both groups the information needed if existing technologies need to be upgraded, according to Betty Schorr of ADEC. The regulation requires the conference to be held every

five years to apprise both ADEC and plan holders of available technology. However, regulations don't require industry to use specific technology as a result of the BAT conference findings.

CIRCAC worked on the BAT steering committee which developed the format and identified six categories to present at the conference: Leak Detection for Crude Oil Transmission Pipelines, Secondary Containment Liners for Oil Storage Tanks, Fast Water Booming, Viscous Oil Pumping Systems, Well Capping and Source Control Technologies.

Ms. Schorr noted that there is room for improvement. She commented that in some categories vendors were not interested in coming to Alaska and that the timing, two days prior to the Memorial Day weekend, may have affected overall attendance.

## continued Cook Inlet Platforms DR&R

statewide bond. They also required that XTO place \$31 million in escrow - before 2009. According to Mr. Robertson, that number represents the best available estimate of the anticipated cost of dismantlement and removal.

Similarly, the state required Forest Oil which owns the Osprey platform to post a \$3 million bond plus the \$500,000 statewide bond. The parties are reportedly still negotiating a final abandonment agreement with the state.

Many have asked what options exist for removing the structures or leaving them in place. More questions than answers exist for Cook Inlet but guidance may be found in other areas populated with platforms. In the Gulf of Mexico structures are regularly dismantled and removed, usually detonating charges at the mudline and towing the rest to shore for salvage. In Florida, they use the "rigs to reefs" program, leaving the bottom structure to create habitat while towing the rest to shore.

In Cook Inlet, the platforms are built to withstand strong tidal forces so the

destruction techniques would have to be different. Because the water is shallow, the rigs to reef program would not work here. Some have suggested the platforms be used for alternate uses such as wind power generation, research stations, rescue platforms, or waste disposal. If the lease is terminated and the platform is left in place the liability does not stay with the owner. The state would assume liability and maintenance. However, the state has no authority to require removal of the platforms before the end of the lease.

Their removal would grant more navigational freedom for traffic and eliminate a potential source of pollution. Some argue that the platforms are actually aids to navigation, de facto ice breakers, and may have value for future leases since they are part of the oil and gas infrastructure.

Mr. Robertson recommended an engineering study be contracted to determine the DR&R costs and that the Council press for public review and comment in the regulatory process.

## Rules Add to Non-Tank Vessel Oversight

After the *Kiroshima* ran aground at Dutch Harbor in November 1997, ADEC created a non-tank vessel group to review issues related to the many ships that meet that description. Freighters and other large ships, though not technically tankers, carry thousands of gallons of very heavy oil which has properties different from crude oil.

Though CIRCAC doesn't typically work on non-tank vessel issues as part of its mandate, the Kenai Peninsula Borough recognized the risk associated with the ships and funded work using the Council's expertise at contingency plan review.

Bob Flint of ADEC recently spoke to the Council to describe the most recent developments in non-tank vessel regulation and enforcement. Before 2003, large freighters and processors plied Alaskan waters with minimal spill response oversight. The regulations that followed require these vessels to have certificates of financial responsibility indicating they have access to funds to respond to a spill.

Ultimately, ADEC developed two plans, one extensive and one streamlined to permit vessels. Since that time, ADEC has approved 334 vessels - nearly 200 in Cook Inlet - under 246 streamlined plans as of the end of summer. The streamlined plan assures the state that the owner has an oil response contractor under contract. Since the qualified contractors have already demonstrated they have acceptable response capability and clean up equipment, these plans are approved within five days.

While fish processors represent the majority of traffic in the Aleutians and Kodiak, LNG ships, freighters, and TOTE ships dominate Cook Inlet and tour and cruise ships populate the Southeast.